

**Town of Concord
Finance Committee
Meeting Minutes
June 4, 2020**

Present: Dean Banfield, Greg Guarriello, Mary Hartman, John Hickling, Dee Ortner, Karle Packard, Parashar Patel, Christine Reynolds, Wade Rubinstein, Phil Swain, Thomas Tarpey, Brian Taylor and Andrea Zall

Absent: Peter Fischelis and Richard Jamison

Others Present: Middle School Building Committee (MSBC) Co-Chairs Tim Hult and Dawn Guarriello; School Superintendent Laurie Hunter; Finance Director Kerry Lafleur; CPC Chair John Cratsley; Recording Secretary Anita Tekle

Meeting Opened

Mr. Banfield called the meeting to order at 7:00 pm via Zoom and broadcast via MMN. He explained the Rules of Engagement, which require all votes to be taken by roll call vote. He explained that when the time comes, he will call for a vote and ask for an audible vote by Finance Committee (FC) members.

Update on Status of Middle School Building Project

Mr. Banfield opened the discussion by noting that the FC had expressed an interest in January in inviting the Co-Chairs of the MSBC to update the FC on the status and scope of the project, to discuss the commitment to energy savings, and to discuss the possible enhanced features under consideration. He welcomed Mr. Hult and Ms. Guarriello. Mr. Hult began by noting that the MSBC had recently voted to take a pause in the process for the middle school, which was a difficult decision. While all are committed to the project, the following reasons were cited for the pause: (1) We are at a point in the process where public participation and input are needed, which is difficult to effectively achieve remotely; the MSBC has taken an aggressive stance on sustainability principles, with a net zero goal--this is a complex process to manage remotely. (2) There is interest in using this building to "fill holes" in the system in the areas of playing fields, the size of the gymnasium, and the addition of performance space. All of these areas need discussion, and the needs are not all driven by core needs of the school system. These dialogs require input with a wide range of people, and are difficult to hold virtually.

Mr. Hult noted that financial uncertainty of the community contributed to the pause. In reaching this decision, he spoke with Mr. Banfield, Select Board (SB) Chair Mike Lawson, and SC Chair, and all agreed with the decision to take a break until we have a better understanding about the financial impact of the pandemic on the community. He also noted that the timing is correct for a pause, since the feasibility study is now mostly complete, and more decisions need to be made before proceeding to the schematic design phase. During the schematic design phase, the design details will be enumerated, along with cost estimates. Decisions have yet to be made about the gymnasium, auditorium and energy design, but those discussions will take place first, once the project resumes. The MSBC is aiming to bring the project to the spring 2021 Annual Town Meeting (ATM).

Ms. Guarriello reported that the visioning process (what is needed to achieve education goals) was done during the feasibility phase, in conjunction with the consultant. The result was a “perfect” building that needed to be scaled down. During this initial scaling down phase, 15,000 s.f. were eliminated. This was done without sacrificing education. The project is currently without an auditorium. The MSBC is reluctant to move forward with the design unless there is some assurance that the community is willing to pay for certain features. The building’s current size is 144,500 s.f., including a 6,000 s.f. gymnasium and a cafetorium. There is no performing arts space. This is considered a “base building,” and has an estimated cost of \$104 million. When questioned, Mr. Hult noted that the cost range discussed last spring was \$80-100 million, which was based on the MSBA cost for a 120,000 s.f. building. The “perfect building” came out to be 160,000 s.f., and Dr. Hunter and the staff worked to reduce that size to the current 144,500. They feel that this size can accommodate all of the school’s education goals. The cost estimators for the perfect building ranged from \$109-114 million. The \$104 million cost is a result of the first reduction effort, although the MSBC still feels that the number is too high. The hope is that costs can still be reduced to below \$100 million.

In response to a question from Mr. Patel, Mr. Hult noted that the building is being designed for 700 students. The MSBC has gathered comparable building size for a range of new middle schools, and our 144,500 is on the higher side. Mr. Taylor asked whether there is \$14 million in “wiggle room” to get the cost down to \$90 million. Mr. Hult felt that the cost could be reduced to \$100 million, but not \$90 million. In response to a question from Mr. Taylor about what was being added to inflate the price, Dr. Hunter indicated that the main cost driver is the goal of designing a building to accommodate a “team” teaching environment, with three teams per grade. This team design requires more space and is not used in the MSBA model. The team model is currently in use for sixth graders in Concord, with great benefit. In response to a question from Ms. Hartman about the cost of the “add-ons,” Mr. Hult indicated that “rough estimates” are as follows:

- Sustainability - plus \$1.8-\$2 million - total \$106 million
- Larger gym (increase to 8,000 s.f.) -- plus \$4 million - total \$110 million
- 1-class auditorium (270 capacity) -- \$111 million
- 2-class auditorium (350 capacity) -- \$113 million

In response to a question from Mr. Packard, Ms. Guarriello indicated that MSBA’s reimbursable cost per s.f. is \$330 on eligible spaces. She noted that the MSBA never covers the full cost of a project. Mr. Packard noted that Concord’s project is twice that amount. Ms. Guarriello noted that the \$104 million basic building is \$550/s.f., and assumes a “design/bid/build” option. Mr. Packard suggested that construction costs are not escalating during the pandemic. Ms. Guarriello felt that it is too soon to know whether the Town will benefit cost wise from the pause. In response to a question from Mr. Banfield, Ms. Guarriello noted that the MSBA allows a maximum overage from their template of 20,000 s.f., and Concord is just under that number currently, without add-ons. The template is generally in the mid-120,000 s.f. range. Mr. Banfield noted that the academic space is much larger than what is allowed by the MSBA. Mr. Hult noted that Concord’s arts programs are significantly more extensive than the MSBA design could accommodate. In response to a question from Mr. Patel, Ms. Guarriello explained that the MSBA determines a size range from 850-950 s.f. for “x” students, with some

flexibility for classroom space. Cafeteria space is fixed, assuming three sittings. The process is complicated, and some negotiation is possible. Dr. Hunter noted that Concord is over the MSBA guideline now, with the reason being Concord’s education goals.

Ms. Hartman noted that the original construction cost (\$80-100 million) was estimated to cost the median household about \$1,000/year in property taxes. She questioned how the cost of the “add-ons” would be explained to the community so that the tradeoffs are understandable. Dr. Hunter responded that the MSBC understands that the number is too high and there is still time to sharpen the pencil and reduce the price. In response to a question from Mr. Rubinstein, Mr. Hult indicated that as of the end of April, about 50% of the \$1.5 million that was appropriated for the feasibility study and schematic design has been spent. He estimates that 60% will be spent by the end of June. He is confident that the \$1.5 million appropriation is sufficient. Ms. Zall asked whether the impact of the pandemic has been factored into the middle school design process; i.e., will the education models change as a result of the pandemic? Dr. Hunter responded that some pieces of the current model will continue into the future, but more time is needed to assess the situation. The MSBA is not changing its guidelines as a result of the pandemic.

Mr. Banfield thanked those who attended and confirmed that we are all interested in obtaining the best building for the money, with a commitment to spend funds wisely. Dr. Hunter noted that her target date for updating the school budgets is July 15.

Annual Town Meeting Update

Mr. Banfield reported that the Moderator has pushed the ATM out to the end of June, and anticipates further pushing it out until September, in 30-day increments. Both the Town and Schools are preparing 1/12 budgets for July, August and September. Ms. Lafleur clarified that we can’t formally file the request for a 1/12 budget until we know for sure that a June ATM is not happening. She noted that at this afternoon’s SB meeting, the Moderator announced that she has pushed the ATM out to July 29. The Director of Accounts at the Division of Local Services is the person who approves each community’s request for a 1/12 budget, once it is approved by the SB. Mr. Banfield noted that the FC is currently in “pause” mode in terms of ATM preparation, as we await more information about the economy and its effect on the community. He mapped out a possible timeframe for the FC, assuming that a date is set for the ATM with at least 30 days’ notice:

Now	FC considers revisions to the FY21 budget guidelines
4 weeks to ATM	FC discusses revised budgets with the Town Manager, School Supt. and School Comm.; likely schedule 2 meetings that week, followed by discussion among the FC members and a vote on recommendation
3 weeks to ATM	Preparation of the FC Report with revised numbers, 5-year tax projections, etc.
2 weeks to ATM	Electronic version of FC Report is made available; possibly send postcard to residents letting them know where they can find the report online; FC Report sent to printer
ATM	Printed version of FC Report available for pickup at Town Meeting

Ms. Reynolds asked whether some of this work could be done sooner so that the FC is not as hurried as we approach town meeting. She suggested that once the revised budget numbers are available, the FC could move ahead. Mr. Banfield noted that there are so many unknowns—7.2% unemployment in Concord and a 17% reduction in the labor force in Concord between March 2020 and April 2020 (noting that these individuals are not drawing a paycheck, but not all have filed for unemployment). Ms. Hartman noted that waiting provides us with better information in terms of revenue estimates. Ms. Lafleur commented that at some point we will have to make decisions based on the information that we have. The last big piece of local receipts that is missing is the meals tax for February, March and April. Mr. Banfield suggested that the FC continue to meet on a regular basis to discuss and review the information that we have, holding off on a final assessment until the 30-day window approaches.

Ms. Reynolds urged the FC to do as much as possible in advance, noting that we know that we'll have a revenue shortfall in both state and local revenue. We don't yet know the changes to spending. The other unknown is the amount that we have in reserves—i.e., FY20 funds that have not been spent due to the shutdown. The latter numbers we should be able to get soon, so that we will know how much of a cushion we will have. Ms. Lafleur noted that both the Town and Schools anticipate having reserves. If the Town underspends, then any surplus becomes free cash. The Schools have flexibility with their FY20 surplus with provisions for pre-paying some FY21 special education costs. She noted that we will have estimates of the Town's surplus once we close out FY20, although free cash will not be certified until December. Ms. Reynolds noted that the School Dept. anticipates having a surplus in special education, transportation, athletics, and food services.

Ms. Lafleur explained the "deficit spending" process, which provides for the town to spend 1/12 of the prior year's appropriation (with some allowances for certain required expenditures above this amount), if the ATM has not yet occurred. This is considered deficit spending since there is no legal appropriation to use as an offset. Until the ATM happens, the DOR will approve the 1/12 spending plan on a monthly basis. Communities will have to hold their ATMs within 30 days of the Governor lifting the State of Emergency. She noted the 1/12 expenditure plan calculation can include an expenditure estimate for operations in the general fund and enterprise fund, and any other fund expenditure requiring specific town meeting appropriation; amounts sufficient to cover regional school district, pension and other assessments; and debt service payments. It may not include increases in salaries in collective bargaining agreements not yet ratified; capital expenditures; CPA expenditures or other items requiring specific appropriations; or any expenditures not requiring specific town meeting appropriation. The 1/12 amounts are as follows:

July 2020	\$ 9,961,516
August 2020	\$ 8,488,342
September 2020	\$11,749,425

Ms. Lafleur noted that the Retirement Board voted last month to allow the Town to pay on a monthly basis, which will be done. The SB approved the 1/12 operating budget for July, and it will be submitted to the DOR tomorrow. She noted that once approved, the 1/12 budget may not be exceeded. Mr. Banfield noted that the FC plays no formal role in

this process. Ms. Reynolds asked whether Ms. Lafleur is comfortable that this process can be managed, to which Ms. Lafleur responded “yes.”

Warrant Article Review

Ms. Ortner inquired whether the Town Manager is reviewing the capital budget items in the warrant. Ms. Lafleur responded that the Town Manager intends to look at capital spending when he reviews the revised FY21 budget. She noted that the Town has spent about 50% of the FY20 capital appropriation, so it doesn't make sense to request the full amount for FY21. She does not anticipate that the debt portion of Article 11 (capital projects paid for with borrowed funds--\$4.3 million) will change. In response to a question from Ms. Hartman, Ms. Lafleur confirmed that it is likely that only the capital outlay portion of the capital projects (capital projects paid for with cash) will change. Mr. Banfield noted that the FC voted at the previous meeting to recommend approval of all portions of Article 44 with the exception of Items F & G. Both of these items overlap with appropriations in Article 11.

In response to a question, Ms. Lafleur noted that in repaying debt, Concord generally pays back 60% of the debt in the first five years, and 40% in the second five years. Debt payments generally run \$600-750,000 annually (i.e., \$770,000 annual debt service prior to taking into account any premiums). Ms. Hartman noted that the FC is being asked to recommend authorization of c. \$600,000 in debt under Article 11, but this is only one part of the larger picture. She would like to look at the debt in the context of how these items fit into the whole budget. She noted that the SC made the difficult decision to pause the middle school project. She feels that the Town should seriously look at delaying discretionary capital projects as well. She commented that it is unfortunate that these are bundled together so that we are looking at \$4,350,000 in capital projects from borrowed funds rather than individual projects. Mr. Banfield noted that Article 11 includes a “catch bag” of capital projects, noting that we are not considering deferring road improvements, public safety vehicles & equipment, or technology upgrades. Ms. Lafleur noted that it was her recommendation to bundle capital projects into one warrant article, rather than either including them in individual line items or putting them in separate warrant articles. Combining them will hopefully take less time at town meeting. In response to a question from Ms. Ortner, Mr. Banfield indicated that individual items could be deleted from the motion made under Article 11 (or in an amendment), and the FC could recommend affirmative action on a smaller appropriation, if desired. Mr. Banfield noted that his preference is to avoid having the FC actively propose an amended motion.

Mr. Guarriello suggested that in the future, discretionary capital items should be included in separate warrant articles.

Follow-up: Keep in mind to recommend to the Town Manager that future capital projects should be broken out so that they can be voted on separately.

Ms. Reynolds suggested that the FC ask the Town to reconsider these discretionary expenditures, asking if they can be deferred. Ms. Ortner questioned whether all of the requested funds are actually needed in FY21, since the Recreation Director indicated that the FY20 funds have not all been spent. Mr. Banfield suggested that the request to pause or defer these projects be considered due to the current economic situation. Mr.

Swain felt that recommending a reduced level of spending is not sufficient; he suggested that the FC itself offer an amendment to reduce the appropriation under Article 11. He also urged that capital projects not all be lumped together in the future. Both he and Mr. Packard indicated that if the FC wants the “General Government” capital projects under Article 11 (with borrowed funds) to be excluded, then the FC should propose the amended motion. Ms. Hartman suggested that the FC ask the Town Manager to prioritize the capital projects, creating a list of items to possibly defer, and those that are more urgent. In discussion, it was agreed that the items that appear to be discretionary are the five Parks & Playground items listed under “borrowed funds,” totaling \$2,095,000. Mr. Hickling felt that it would be preferable to ask the SB or Town Manager to change the motion under Article 11. Mr. Taylor suggested that the FC emphasize that this request is being made due to the uncertainty of all that is going on economically.

On a **MOTION** made by Ms. Hartman and seconded by Ms. Ortner, it was unanimously **VOTED** by roll call vote (with Reynolds, Banfield, Hartman, Packard, Zall, Ortner, Guarriello, Tarpey, Patel, Swain, Taylor, Rubinstein, and Hickling all voting yes) to authorize Mr. Banfield to write a letter to the Town Manager asking him to strongly consider deferring to a future town meeting the five “General Government–Borrowed Funds” items under Article 11, all Parks & Playgrounds projects, totaling \$2,095,000, due to the extenuating circumstances of the pandemic on the economy.

John Cratsley, Chair of the CPC, noted that the funding for some of the projects in the vote just taken are connected to funding requests under Article 44 (Items F & G). Ms. Hartman felt that it is not the role of the FC to tell the CPC how to allocate available funds. Mr. Banfield was concerned that if the CPC funds are not appropriated, then some funds would have to be reallocated to maintain the minimum 10% in each category. It was agreed to defer a recommendation on Article 44, Items F & G at this time, until more is known.

Article 7–COLA Adjustment for Retirees

Mr. Banfield reported that he reviewed the data from other retirement systems, and Concord has remained at the \$12,000 base, and most other retirement systems have increased the base, with the overwhelming majority providing the maximum increase of 3% (on a higher base). He strongly suggested a positive recommendation on Article 7. He also noted that Concord’s pension reserves are high when compared to others. Ms. Lafleur noted that there is no impact on the FY21 assessment if Article 7 passes—it will go into effect in FY22. So the \$309,000 estimated cost for this article will not be needed in FY21. She also noted that a recent review by the Retirement Board’s actuary noted that we are in very good shape due to how we manage our investments. We were able to shave one year off of fully funding our retirement liability (2029 rather than 2030). She felt that this is a good time to make this change, which will not impact the 2029 fully-funded date.

On a **MOTION** made by Ms. Hartman and seconded by Ms. Ortner, and on a roll call vote, it was unanimously **VOTED** (with Reynolds, Banfield, Hartman, Packard, Zall, Ortner, Guarriello, Tarpey, Patel, Swain, Taylor, Rubinstein, and Hickling all voting yes) to recommend Affirmative Action on Article 7.

Form Nominating Committee

The following members volunteered to serve on the Nominating Committee to recommend a slate of officers for the coming year: Karle Packard, Tom Tarpey and Dean Banfield.

Correspondence

One letter was received “in confidence.” Mr. Banfield responded to the individual that the letter could not be kept confidential, and he returned the letter to her.

Public Comments

None

Next Meeting: June 25, 7:00 pm

On a **MOTION** made by Mr. Patel and seconded by Ms. Ortner, and on a roll call vote (with Reynolds, Banfield, Hartman, Packard, Zall, Ortner, Guarriello, Tarpey, Patel, Swain, Taylor, Rubinstein, and Hickling all voting yes), the meeting adjourned at 9:30 pm.

Respectfully submitted,

Anita S. Tekle
Recording Secretary

Documents Used or Referenced at Meeting:

- 2020 Annual Town Meeting Warrant
- Memo from Kerry Lafleur to Stephen Crane RE: FY21 1/12th Budget (dated June 2, 2020)
- Financial Information for Massachusetts, with Unemployment by Town (as of April 30, 2020)
- Spreadsheet entitled “Funding for Select Town Projects Appropriated & Proposed” (White Pond, Gerow, Warner Pond, Rideout, Emerson Field—FY19-FY22)